

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 PA-02

PRS-01 USIA-15 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00

XMB-04 OPIC-06 LAB-04 SIL-01 /111 W  
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R 111519Z AUG 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 2080

INFO USDEL MTN GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

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PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EALR, EFIN, EGEN, FR

SUBJECT: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS

REF: PARIS 19564, JULY 28, 1975

1. JULY INSEE SURVEY OF INDUSTRY CONTINUES PESSIMISTIC;  
QUARTERLY HOUSING SURVEY A BIT LESS SO -

MOST POSITIVE NOTE IN JULY SURVEY OF INDUSTRY  
CONDUCTED BY FRENCH NATIONAL INSTITUTE OF STATISTICS  
(INSEE) WAS REPORT OF PROGRESSIVE REDUCTION OF  
STOCKS AMONG INTERMEDIATE GOODS INDUSTRIES. IN THIS  
SECTOR PRODUCTION HAS SO DECLINED THAT IT IS NOW AT  
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LOWER LEVEL THAN DELIVERIES; STOCKS SHOULD AGAIN REACH

NORMAL LEVELS IN NEAR FUTURE. SITUATION LESS POSITIVE FOR PRODUCER GOODS; PRODUCTION CONTINUES TO DECLINE AND ORDERS REMAIN LOW (WITH FURTHER DECLINE IN FOREIGN ORDERS). DECLINE IN CONSUMER GOODS PRODUCTION IS SLOWING DOWN AND EVEN REVERSING SLIGHTLY IN KEY AUTOMOBILE BRANCH. BUSINESSMEN'S FORECASTS, HOWEVER, REMAIN NEGATIVE FOR BOTH CAPITAL AND CONSUMER GOODS. THE INSEE QUARTERLY SURVEY OF HOUSING CONSTRUCTION SHOWS SOME SIGNS OF IMPROVEMENT, AS PERSPECTIVES IMPROVE SOMEWHAT IN THE AREA OF PUBLIC HOUSING, IN RESPONSE TO ADDITIONAL GOVERNMENT ASSISTANCE.

2. MONEY SUPPLY CONTINUES TO INCREASE VERY SLOWLY -

FRENCH MONEY SUPPLY, BROADLY DEFINED (M2), REGISTERED 664.32 BILLION FRANCS AT END OF MAY; UP ONLY 0.2 PERCENT OVER END APRIL, ANOTHER RECORD LOW INCREASE. CURRENCY AND DEMAND DEPOSITS (M1) ROSE BY 0.4 PERCENT TO 352.7 BILLION FRANCS, WHILE NEAR MONIES DECLINED BY 0.1, AN EVENT WHICH HAD NOT OCCURRED IN TEN YEARS. FIGURES ARE NOT SEASONALLY ADJUSTED. A MAJOR REASON FOR THESE LOW FIGURES, ACCORDING TO THE NATIONAL CREDIT COUNCIL, WAS THE 5 BILLION FRANC GOVERNMENT LOAN FLOATED IN MAY, WHICH HAD A SPECIAL EFFECT IN REDUCING DEMAND DEPOSITS.

UNADJUSTED DATA ON COMPOSITION OF MONEY SUPPLY BY SOURCE SHOW NET FOREIGN EXCHANGE RESERVES UP 5.1 PERCENT TO 42.9 BILLION, CLAIMS ON PUBLIC SECTOR DOWN 0.1 PERCENT TO 65.2 BILLION, WHILE CREDITS TO THE ECONOMY AS A WHOLE WERE AT 572.4 BILLION, DOWN 0.4 PERCENT.

BANKCREDITS DID NOT INCREASE AT ALL IN MAY IN GROSS FIGURES; CORRECTED FOR SEASONAL VARIATIONS, THIS REPRESENTED AN INCREASE OF 0.2 PERCENT.

3. MONTHLY PRICE RISE AGAIN HELD TO 0.7 PERCENT -

FRENCH CONSUMER PRICE INDEX FOR JUNE REPEATED MAY  
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SCORE OF 0.7 PERCENT, THEREBY BRINGING PRICE INCREASE FOR FIRST HALF 1975 TO 5.1 PERCENT, WITH INCREASE OVER PRECEDING 12 MONTH PERIOD REGISTERED 11.7 PERCENT. AMONG THREE MAJOR COMPONENTS OF INDEX, FOOD PRICES ROSE 0.9 PERCENT, MANUFACTURED PRODUCTS 0.3 PERCENT AND SERVICES 0.7 PERCENT. ANOTHER HEALTHY SIGN WAS PROVIDED BY JUNE WHOLESALE PRICE INDEX FOR INDUSTRIAL GOODS WHICH DECLINED BY 0.8 PERCENT. PREDICTIONS FOR THE

COMING MONTHS, HOWEVER, MUST STILL TAKE INTO ACCOUNT  
RECENT INCREASES IN THE PRICES OF BREAD, AUTOMOBILES  
AND TIRES AS WELL AS THE INCREASED FRANC COST OF  
PETROLEUM PRODUCTS.

4. MINISTER OF INDUSTRY REPORTS ON JOBS "SAVED" -

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MINISTRY OF INDUSTRY MICHEL D'ORNANO REPORTED ON  
RESULTS OF FIRST YEAR OF GOVERNMENT PROGRAM TO REVIEW  
PROBLEMS OF BUSINESSES IN TROUBLE AND ASSIST THEM WHERE  
POSSIBLE (THROUGH SUCH MEASURES AS SPEED-UPS IN GOVERN-  
MENT PAYMENTS' PRICE INCREASES, ETC.). 285 ENTERPRISES,

EMPLOYING SOME 110,000 WORKERS WERE "SAVED" THANKS TO OFFICIAL ACTION WITHIN FRAMEWORK OF PROGRAM. THESE FIGURES DO NOT INCLUDE SUCH MAJOR EFFORTS AS THE LOANS MADE TO SAVE THE CITROEN AUTO PLANT. ON THE OTHER HAND, SOME 54 BUSINESSES COULD NOT BE HELPED, WHILE ANOTHER 151 ARE STILL UNDER STUDY.

5. FRENCH POPULATION GROWING, BUT SLOWLY -  
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PRELIMINARY FIGURES FOR 1975 CENSUS SHOW FRENCH POPULATION AT 52,590,000 MILLION, UP FROM 49,750,000 IN 1968. ANNUAL POPULATION GROWTH, WHICH HAD BEEN 1.1 PERCENT IN 1954-62 AND 1.2 PERCENT IN 1962-68, WAS ONLY 0.8 PERCENT FOR THE PERIOD 1968-75. INSEE ESTIMATES SOME 3/4 OF THIS IS DUE TO EXCESS OF BIRTHS OVER DEATHS, WHILE 1/4 IS DUE TO NET IMMIGRATION.

6. REPORT ON CAPITAL GAINS TAX PREPARED -

THE PRESIDENT OF THE COMMISSION NAMED TO STUDY THE TECHNICAL MODALITIES OF A CAPITAL GAIN TAX FOR FRANCE HAS PRESENTED HIS REPORT TO FINANCE MINISTER FOURCADE. THE REPORT, THE CONTENTS OF WHICH REMAIN SECRET, WILL BE STUDIED BY THE ECONOMIC AND SOCIAL COUNCIL IN SEPTEMBER AND OCTOBER, AND WILL BE REVIEWED BY THE GOVERNMENT FOR THE REMAINDER OF THIS YEAR, BEFORE GOING BEFORE PARLIAMENT EARLY IN 1976. FRANCE AND ITALY ARE THE ONLY EC COUNTRIES WITHOUT A CAPITAL GAINS TAX.

7. OTHER REPORTS SUBMITTED DURING THE PERIOD -

TELEGRAMS

19560 GOF ECONOMIC CHANGES FOLLOWING  
GISCARD-SCHMIDT MEETINGS JULY 28, 1975

19686 FRENCH PRESS ON MONETARY  
ASPECTS OF GISCARD-SCHMIDT  
MEETING JULY 29, 1975

19746 MINISTERS MEET, GISCARD  
SPEAKS; NEW DIRECTIONS IN  
ECONOMIC POLICY PROMISED  
BUT NOT DESCRIBED JULY 30, 1975

19992 FINANCIAL ASPECTS OF

FRANCO-SAUDI TALKS      AUGUST 1, 1975  
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AIRGRAMS

A-335 THE FRENCH REGIONAL DEVELOP-  
MENT PROGRAM      AUGUST 5, 1975

A-346 FRENCH FOREIGN EXCHANGE  
HOLDINGS      AUGUST 1, 1975

A-363 FRENCH FOREIGN EXCHANGE  
HOLDINGS      AUGUST 11, 1975  
GAMMON

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